

A G E N D A



Recommendation for Council Action

Austin City Council	Item ID	60636	Agenda Number	12.
---------------------	---------	-------	---------------	-----

Meeting Date:	8/18/2016	Department:	Aviation
---------------	-----------	-------------	----------

Subject

Authorize negotiation and execution of an agreement with Austin-Bergstrom Landhost Enterprises, Inc. (ABLE), Austin-Bergstrom Acquisition LLC (ABA), and UMB Bank, N.A. for the refinancing of ABLE's debt and the funding and performance of certain repairs to the Airport Hilton Hotel located at Austin-Bergstrom International Airport in an amount not to exceed \$3,000,000. (District 2)

Amount and Source of Funding

Fiscal Note

Purchasing
Language:

Prior Council
Action:

For More
Information:

Dave Arthur, Assistant Director and Chief Financial Officer, 512-530-6688.

Council
Committee,
Boards and
Commission
Action:

August 9, 2016 - Recommended by the Airport Advisory Commission on a vote of 6-0-0-4 with Commissioners Saulmon, Anderson, Legate, and Walewski absent.

MBE / WBE:

Related Items:

Additional Backup Information

Austin-Bergstrom Landhost Enterprises, Inc. (ABLE) is a public facility corporation created by the City to develop and operate the City owned airport hotel at Austin-Bergstrom International Airport (Airport). In order to finance the construction and equipping of the Airport hotel, ABLE issued revenue bonds (Airport Hotel Bonds). Currently, ABLE is not meeting its debt service requirements under those bonds due to the initial large debt issuance, high interest rates, and other economic factors. Further, the Airport hotel is in need of repairs in an amount not to exceed \$4,000,000. For health and safety purposes, the repairs are needed immediately and will consist of mold remediation and heating, ventilating, and air conditioning (HVAC) system replacement. Also, ABLE desires to restructure its debt and acquire additional capital for necessary hotel improvements. Since September 2013, the City has participated in ABLE's negotiations with Austin-Bergstrom Acquisition LLC (ABA) in an effort to restructure ABLE's debt, finance the urgent repairs, and acquire additional capital to make necessary hotel improvements. ABA is the majority holder of ABLE's Airport Hotel Bonds.

In order for the debt restructure to be successful, the urgent repairs must commence prior to the bond issuance. The Airport will assist with 75% of the repairs initially (\$3 million) and be reimbursed by ABLE after the bond sale

closing. ABA will be responsible for 25% of the costs of the repairs (\$1 million) and will reimburse ABLE for an additional 25% of the cost of repairs at the bond sale closing. The proposed letter of intent between the City, ABLE, ABA, and UMB Bank N.A. describes the parties' responsibilities for the repairs and restructure of ABLE's debt.

A future Request for Council action will be presented to authorize and appropriate the bond sale action. It is anticipated ABLE will issue bonds in an amount not to exceed \$50,000,000 to refinance the outstanding ABLE Airport Hotel Bonds, to fund reserves for the payment of debt service, and to fund necessary hotel improvements. The restructuring is necessary so ABLE will no longer be in default, urgent repairs are completed, and necessary hotel improvements can be made. By restructuring ABLE's debt and making the necessary repairs and improvements to the Airport hotel, the City's real estate asset is preserved and improved to provide a first-class hotel for the Central Texas community, its guests, and visiting passengers. Further delays may result in health and safety concerns, additional costs to repair the hotel, and possibly diminish revenues that may be generated at the Airport hotel.